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SUBJECT: SUBJECT: WTO DIRECTOR GENERAL DECISION NOT TO
CONVENE MINISTERIAL

11. (U) SUMMARY: WTO Director General Pascal Lamy announced on December 12, 2008 that there are still significant gaps on a number of outstanding issues in the ongoing Doha Round negotiations and that he does not see the basis for convening a meeting of Ministers in Geneva before the end of the year. The U.S. is disappointed that Members have been unable to establish a basis for a productive Ministerial that would lead to an ambitious and balanced Doha outcome. Work will begin this week, continuing into the New Year, on next steps.

Set out below is background on the current status of the Doha Round negotiations. Also included is the statement by USTR Susan Schwab on the decision not to call Ministers to Geneva, which Posts may draw from as needed. Posts may also draw from "Qs and As" as needed to provide verbal responses to questions. END SUMMARY.

Background

12. (U) The WTO Doha Round negotiations have been at the center of U.S. trade negotiating efforts since the multilateral round was launched in Doha, Qatar in November 12001. The United States played an instrumental role in launching the negotiations and has led efforts to advance them towards a successful conclusion. After Cancun, the United States led the effort to ensure the negotiations moved ahead; the July 2004 mini-ministerial was the result of U.S. efforts to bring the negotiations back on track--resulting in the July "Framework-Agreement." In October 2005, the United States tabled a comprehensive proposal for the agricultural negotiations to eliminate all tariffs and subsidies in a two-phased process, and over the next two years worked in various formal and informal processes to advance discussions.

In September 2007, the United States publicly stated in Geneva that it was prepared to negotiate within the range of subsidy reductions in the draft agriculture text, provided that the other leading nations did the same with respect to new market access for agricultural and industrial goods. President Bush has personally and actively led U.S. efforts to press the Doha Round forward, and led the push in the G-20 Summit to gain commitments to achieve modalities before the end of 2008. In short, no country has worked harder to bring the Round to an ambitious conclusion.

13. (U) New momentum was injected into the negotiations in mid-November following the G-20 and APEC Leaders' political commitments to conclude modalities in agriculture and nonagricultural market access (NAMA) before the end of 2008, establishing the framework for an ambitious conclusion to the Doha Round in 2009. In recent weeks, intense negotiations have been ongoing at the senior official level in Geneva and at the Minister level in capitals to achieve the convergences needed for Ministers to meet to agree on modalities in agriculture and NAMA. The hope had been that such a meeting

could take place before the WTO General Council meeting of December 18-19.

14. (U) New negotiating texts were issued on December 6, 2008 by the Chairs of the Agriculture and NAMA negotiating groups. However, the revised texts did not resolve the most difficult outstanding issues, and some issues showed signs of destabilization since July.

15. (U) At an informal Trade Negotiations Committee meeting with the heads of delegations on December 12, 2008, WTO Director General Lamy announced that after extensive consultations with WTO Members, there are still significant gaps on a number of outstanding issues in the agriculture and NAMA modalities negotiations and that he does not see the basis for convening a meeting of Ministers in Geneva before the end of the year. Lamy noted his intention to consult with Members on how to assemble the political will in the New Year, including an informal "Green Room" meeting on December 16 to discuss how to move forward.

16. (U) The United States is disappointed that Members have been unable to establish a basis for a productive Ministerial that would lead to an ambitious and balanced Doha outcome. It is especially disappointing during this time of global economic turmoil. At the same time, as Lamy noted, calling a Ministerial would run an unacceptably high risk of failure that could damage not only the Round but the WTO system as a

STATE 00131354 002 OF 003

whole. In response to Lamy's announcement that he was not calling a Ministerial, U.S. Ambassador to the WTO Peter Allgeier remarked that "I think it is the prudent thing to do given the gaps we have seen. We are deeply disappointed we have not reached that stage yet."

STATEMENT BY USTR SCHWAB

17. (U) Ambassador Susan Schwab stated on December 12:

"The U.S. has shown flexibility repeatedly in the past several weeks to achieve the convergence among WTO members necessary to convene a ministerial. I am therefore disappointed, but respect the decision by the Director General to not call a ministerial at this time.

Due to numerous outstanding issues voiced by several WTO members, it became apparent that the gaps were too large to bridge at this time. There were several significant unresolved issues on the table that needed to be addressed for a deal on modalities to come together.

The U.S. remains committed to working with the WTO and our trading partners to reach a successful Doha outcome, one that fulfills the promise of this round."

QUESTIONS AND ANSWERS, FOR VERBAL USE BY POSTS

18. (U) Posts may draw from the following "Qs & As" for verbal responses to questions.

Q: Is this the end of the Doha round negotiations?

A: No, the Doha Round will continue. The U.S. remains committed to achieving a successful result in the Doha Round negotiations, and we will continue to work with others in Geneva toward advancing the negotiations.

In order to achieve further progress, WTO Members, particularly advanced developing countries, must follow-up on the Doha political commitments made by G-20 and APEC Leaders and provide the contributions and flexibility necessary to produce a market-opening modalities package that would lead to an ambitious conclusion to the negotiations.

There is a long-standing record of trade rounds continuing

through transitions in presidential administrations.

Q: Is it true that the impasse is just about one or two issues involving U.S. demands?

A: No, there is a wide array of significant issues involving a number of WTO Members.

For example, in agriculture,

--There are still wide gaps on the treatment of sensitive products, that is, products sheltered against full tariff cuts, of great significance to Japan and Canada.

--India also raised new issues relating to its subsidies programs and sought greater flexibility in the area of special products, that is, products sheltered from cuts.

--On the Special Safeguard Mechanism, there have been a number of compromises put on the table since September. The U.S. was willing to accept them, but China and India rejected them all.

--The long-standing issue of bananas appears to have moved backwards since July, with the European Union and the Latin American countries digging-in.

In NAMA,

--Several developing countries (South Africa, Argentina, Venezuela) are making special, individual, flexibility requests that go beyond the flexibilities already available to those developing countries making cuts.

--Several developing countries continue to have strong disagreements among themselves on the issue of preference erosion, that is, the effect of developed country tariff cuts on countries that already have preferential access to these markets.

STATE 00131354 003 OF 003

Q: Why is the U.S. making new demands on sectorals, and trying to "rebalance" the July 25 package?

A: On sectorals, the U.S. has merely been seeking what was on the table in the July 25 package--that is, meaningful assurances from the leadership group of the WTO (the G7) on two sectorals that likely can achieve a critical mass of participants among the major producing and exporting countries. We have shown flexibility and creativity in how such assurances could be fashioned. In contrast, Brazil, India, and China would not agree to identify specific sectors on which they would be willing to negotiate.

The U.S. position is driven by the Ministers' decision at Hong Kong (paragraph 16): "We instruct the Negotiating Group to review proposals (for sectoral initiatives), with a view to identifying those which could garner sufficient participation to be realized."

End Points

19. (U) Please contact Bruce Hirsh (202-395-9610 or bhirsh@ustr.eop.gov) or Dawn Shackelford (202-395-9461 or dshackelford@ustr.eop.gov) via phone or email with any questions or requests for further background.

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